

Bonanza Strikes Gold on Coast

Comparative newcomer is real threat to big airlines; its fight with WAL may alter CAB policy on feeders.

By William J. Coughlin

Las Vegas, Nev.—Western Air Lines' long dominance of the lush Pacific Coast resort trade has been challenged by the comparative newcomer in commercial aviation, fast-growing Bonanza Air Lines.

The fight between Western and Bonanza has touched off side issues involving United, TWA, American and Southwest, has brought Civil Aeronautics Board policy for regional and feeder lines into question, and has been the source of a legal battle reaching U. S. Supreme Court, whose decision in the case will affect all U. S. airlines.

► **Deep Basic Issues**—Immediate spark to the feud was a CAB decision last January ordering Western to suspend service to El Centro, Calif., and Yuma, Ariz., and awarding a certificate for a Phoenix-San Diego-Los Angeles feeder run to Bonanza. But basic issues in the case go much deeper than this hotly contested decision:

- **Will Bonanza and Southwest Airways merge to put a strong regional competitor into the field against Western?**

- **What will the Supreme Court decide on Western's plea that the CAB action in the Imperial Valley case was not suspension but revocation of a permanent certificate and that CAB has no authority to revoke the certificate without just cause?** Supreme Court also must determine whether property rights result from a permanent certificate and whether the Board's action in suspending Western amounts to seizure of property rights without compensation, a violation of the Fifth Amendment.

- **Has CAB adequately defined the positions of feeder, regional and transcontinental lines?**

Stakes in the battle are seen clearly in this gambling capital of the West, home of Bonanza Air Lines. Every issue in the case leads, directly or indirectly, back to McCarran Field and the big war-surplus metal hangar which is headquarters for the Route of the Gold Strikes. The situation calls for a detailed study of the little airline with four DC-3s invading territory Western long ago staked out as its own.

► **How Bonanza Started**—The start of Bonanza was inconspicuous. Edmund C. Converse returned from World War II with a record of four years in Navy intelligence and amphibious landing operations and a desire to start an airline. Unlike many veterans, Converse had money. He teamed up in Las

Vegas with Charles Keene and June Simon, who had an airplane.

With Keene and Simon's four-passenger single-engine Cessna and \$5,000 of Converse's money, Bonanza Airways began operating a charter service between Las Vegas and Reno. The company next leased a War Assets C-47 and started one roundtrip a week between the two Nevada cities.

Wallie Warren of Reno bought out Simon and Keene in 1946 and Florence Murphy also joined the group. The name was changed to Bonanza Air Lines.

More flights were added and in 1947 Bonanza decided to apply for a certificate. Wesley J. Durston, owner of a Los Angeles construction firm, joined the line as vice president and co-owner. He matched the \$50,000 which Converse had invested by this time. In return, the owners had little to show but a great deal of experience in operating across Nevada's desert wastes and a great amount of red ink on the books.

► **Bonanza Losses**—CAB awarded Bonanza a certificate in June 1949 for a Reno-Las Vegas-Phoenix route, on condition the newcomer buy TWA Route 38 between Las Vegas and Phoenix and make an additional showing of financial fitness before starting operations. Bonanza bought the route for roughly \$600 and in November 1949 a three-year certificate was issued. The certificate expires at the end of this year.

From the time of its organization in 1945 until November 1949, Bonanza had lost roughly \$220,000. The airline still is operating in the red. Converse has poured some \$350,000 into it, Durston \$270,000.

After receiving its interstate certificate, Bonanza purchased four DC-3s, two from United, one from Western and one from TWA. With these, the company set out to drum up trade along its barren route. Management expected the Las Vegas-Phoenix leg to be the least profitable segment. TWA had been operating one flight daily with a load factor approximating 20%. Bonanza soon was operating two flights daily with a 60% load factor.

Here lies one of the keys to Bonanza's success and to its popular acceptance in the area over which it operated before being awarded the Phoenix-San Diego-Los Angeles local service route.

► **Cities Feud**—For many years there was ill-feeling between Reno and Las Vegas, competing for gambling, marriage, divorce and tourist trade from

California and the East. Only a motor road linked the two cities. There was no north-south railroad and Las Vegas, tied to Los Angeles by air and rail, was more a part of the Southern California area than it was of its own state. Bonanza provided the much-needed link between Reno and Las Vegas and did much to break down intrastate prejudice. It encouraged junkets of businessmen and civic groups between the two cities.

The Reno and Las Vegas chambers of commerce, in an unprecedented action, voted \$10,000 for a joint publicity and advertising campaign to stimulate air travel between the two cities. It paid handsome dividends for Bonanza.

► **Losses Drop**—The situation was similar when Bonanza began operations between Las Vegas and Phoenix. Close liaison by Bonanza with travel agencies, the chambers of commerce and business groups killed off a feud before it got well underway. Prejudice dropped and load factors climbed.

Losses dropped from \$105,128 on the first year of interstate operation to \$13,204 for 1951. Total loss for the first half of 1952 was \$15,745 but much of this was due to the uncertainty and expense involved in the legal battle to get the new Phoenix-Los Angeles route operating. Although authorized to begin Los Angeles flights in January this year, Bonanza was unable to begin service until July due to the court fight with Western. Operating loss for the first half of 1952, which gives a more accurate picture, was only \$169.30.

Bonanza soon realized that the answer was more mileage over which to spread its costs. Its 639-mi. feeder route between Reno and Phoenix was one of the shortest ever awarded by CAB. In 1950 Converse led his airline into the fight with Southwest, Frontier and Western for a feeder route between Phoenix and the Coast. He has been in legal trouble ever since.

► **Imperial Valley**—Historically, the Imperial Valley situation had been confused since CAB first agreed in 1943 to let Western serve the area. Western, after a wartime delay, began service in 1946. The Valley posed a tough operating problem for Western. Traffic was light and the route ran into a dead end at Yuma. Service to El Centro and Yuma started with two flights daily, dropped to one flight and finally settled down to three flights a week. Traffic dropped at El Centro from 591 passengers in September 1946 with two roundtrips daily, to 327 during March 1947 with one roundtrip daily, to 97 in September 1947 with three roundtrips weekly.

"The type of service Western provided El Centro and Yuma during 1947 to 1949 clearly did not meet the mini-

mum requirements for adequate service," says CAB.

Throughout, Western has sought what seemed to be logical extension of this route across the 157 mi. between Yuma and Phoenix. For Western, it would provide not only a traffic-generating point for its Imperial Valley segment but would draw the Phoenix resort area into the company's "Skyway to Western Playgrounds." The extension was never granted.

"Good authority has it," says one Western advocate, "that American's fear of Western's parallel route was largely responsible for the refusal. American reportedly is politically hand in glove with the Administration."

► **Western Fears**—When CAB indicated dissatisfaction with Western's operation and hinted it might award the area to someone else, the airline resumed twice-daily flights to El Centro and Yuma from San Diego. Western, which at one point had considered giving up the El Centro and Yuma segment, now feared it also might lose its right to serve San Bernardino and the Palm Springs area.

In January 1950 the Board awarded a local service route through the area to Southwest. Western protested and two months later, before Southwest began operations, the Board reversed itself, rescinded the Southwest certificate and reopened the case.

Frontier had dropped out and the fight narrowed primarily to a battle between Bonanza and Western, although Southwest still sought to win back its prize.

On January 17 this year CAB announced its decision in the Reopened Additional California-Nevada Service Case. A certificate of public convenience and necessity was awarded to Bonanza between the coterminal points Los Angeles/Long Beach, Calif., and Phoenix, Ariz., via the intermediate points Santa Ana/Laguna Beach, Oceanside, San Diego, and El Centro, Calif., Yuma and Ajo, Ariz., and Blythe, Calif.

The Board "temporarily suspended" Western's authorization to serve El Centro and Yuma.

► **Legal Battle**—On February 18 Western obtained a court order staying the CAB decision and continued operating over the route. This legal battle tied up the award until June. On June 18 the Ninth Circuit Court of Appeals in San Francisco lifted the stay and further provided that no other stay would be issued.

Bonanza began operations over the route on July 15 and Western halted its flights to El Centro and Yuma three days later. Western has appealed to the Supreme Court.

At the outset, one of Bonanza's immediate problems was high mainte-

nance cost. For the year ending June 30, 1952, direct maintenance of flight equipment ate up 21.73¢ per mi., while ground and indirect maintenance took 14.49¢ per mi. Projected costs for the amended certificate are 13.60¢ per mi. for direct maintenance and 8.29¢ for indirect.

► **Maintenance Costs**—Superintendent of Maintenance Ralph H. Allen blames past high maintenance costs on:

- **Rapid labor turnover** typical of a gambling and resort town such as Las Vegas.

- **Cost of standardizing** and modifying the four DC-3s to Bonanza requirements.

- **All four planes** had either 4,000- or 8,000-hr. checks due at the time Bonanza purchased them.

- **Necessity of farming out** engine overhaul.

The company's fleet was converted to 28-seat standard interiors in Bonanza's shops at a cost of \$13,000 a ship. Bonanza does its own airframe overhauls and inspections, estimates it saved \$14,000 on each 8,000-hr. overhaul.

Allen has set up a progressive overhaul system for heavy inspections such as No. 3, breaking it down into four major increments and often changing parts on daily inspections.

CAA has increased time requirement for No. 1 inspections from 50 to 60 hr., for No. 2 inspections from 150 to 180 hr. and for No. 3 from 250 to 300 hr.

Southwest Airways performs the engine overhauls on Bonanza's 20 Pratt & Whitney R1830-92s but Allen claims additional overhaul is necessary to bring the engines up to standard.

Bonanza modified the DC-3 vacuum system from a dual system to a single vacuum system to the manifolds. Allen says this has expedited trouble shooting and has cut service time in half or better. Cost per ship was \$280.

Electrical system modifications cost \$2,600 per ship. Bonanza also simplified and modified the hydraulic system and the instrument panel.

► **Innovations**—Communications Manager Roger Mohr has come up with several innovations of interest to other local carriers and even to larger airlines.

One is his so-called "Magic Lights" system. Bonanza, operating nonstop at night between Phoenix and Las Vegas, was paying a man to stand by at Kingman to turn the field lights on if an emergency landing became necessary.

Mohr devised a remote control system to turn the lights off and on from the aircraft, eliminating the necessity of a man on duty every night. CAA has okayed a test of the system and is interested in its possible standardization for use at emergency fields across the country.

The device will operate with a pulse

radio signal on company frequency. Three clicks of the pilot's microphone button will turn the lights on before landing and five clicks will turn them off after takeoff. Range is 15-20 mi.

"It could operate on a dial system from the cockpit," Mohr explains, "but we have found that clicks of the microphone work just as well. It would be very rarely that static, ignition or otherwise, could run up to three evenly spaced pulses and turn the lights on unnecessarily. Five such static pulses would be almost an impossibility."

► **Telephones for Passengers**—Another innovation planned by Bonanza is installation of telephones for the convenience of passengers. Mohr realizes that the coastal portions of Bonanza's routes are within range of the ship-to-shore telephone station at San Pedro, Calif., during the daylight hours and that the entire route is within range at night. He found only slight modification necessary to adapt a ship-to-shore unit to airborne use.

One unit has been converted for experimental purposes. Bonanza has applied to Federal Communications Commission for a frequency and CAA has given the idea a tentative okay.

Whether these ideas ever reach operational use, the fact Bonanza is seriously discussing them indicates the line's fresh approach to some problems.

► **Looking to Future**—If Western's fight against Bonanza seems out of proportion to the route mileage involved, it is because Western, as well as Bonanza, is looking to the future. Western, now in a strong financial position and pouring money into advertising the resort areas of the West, sees a threat to its empire from rapidly growing Bonanza.

First, Western fears CAB may allow Bonanza to link its terminals at Los Angeles and Las Vegas with a direct route. Although Western now holds an exclusive franchise on the Los Angeles-Las Vegas route, CAB already has under advisement recommendations that the run be opened to competition. Bonanza would be cutting into a melon which brings Western \$1,235,000 annually, 8% of the total system revenue. United and TWA also are interested in local service on the route.

► **Merger Discussed**—A second and more important Western fear is that Bonanza and Southwest Airways will merge. The two smaller airlines have been discussing such a move and CAB recommended an investigation into whether it was in the public interest at the time it awarded Bonanza the Phoenix-Los Angeles route.

The question may come before the Board again in December when Bonanza's temporary certificate comes up for renewal.

One need only look at an airline map to see what a potent competitor to

Western a Southwest-Bonanza combination would be. If CAB allowed a link between Bonanza's northern Nevada terminal at Reno and Southwest's northern California operation, the damage to Western's tourist and local traffic would be even heavier.

► **Problems**—There are also some clouds on the Bonanza horizon:

- Possibility of a merger with Southwest, uncertainty over the Supreme Court decision and a small doubt over CAB action when the certificate comes up for renewal Dec. 31 have made management reluctant to plunge financially while in the throes of expansion.

- Bonanza must expand its advertising and publicity budget if it plans an effective battle against Western. Western's advertising budget for the year is almost as large a figure as Bonanza's total assets.

The Bonanza-Western feud also has emphasized the need for some serious CAB thinking on its philosophy regarding trunklines and local service carriers.

(Editor's Note: This is the first of two articles on the battle for the lush Pacific Coast resort air traffic.)

SHORTLINES

► **Air America**, nonsked airline, was strongly criticized for flying too much in violation of CAB regulations curbing nonsked business by CAB Enforcement Bureau, which recommended the line be put out of business.

► **American Airlines** officials hint of an important announcement on AA's jet transport plans to come soon.

► **Associated Aviation Underwriters** has installed international airline trip insurance vending machines at Boston's Logan Airport and at TWA-BOAC office in New York's Waldorf-Astoria—plans more soon for New York, Philadelphia, Miami, New Orleans, Houston, Los Angeles, San Francisco and Seattle. Rates generally are: 50 cents per \$5,000 policy in Western Hemisphere, \$1 Europe, \$2 elsewhere.

► **Braniff Airways'** DC-4 accident of Mar. 26 at Hugoton, Kan., in which no one was hurt, was well-handled by the pilot, CAB investigation report says. Engine fire most likely started in zone 2—perhaps from rubbing of flexible oil pressure gauge line against positive terminal of the generator, CAB says.

► **Central Airlines** certificate renewal and route extension—once questionable—seemed assured at CAB's oral argument, with support of CAB examiner and bureau counsel, plus personal testimony of influential senators.